

New Brunswick Demonstration Project

Discussion Outline

April 25, 2007

Background

- The Educational Facilities Construction and Financing Act, (N.J.S.A. 18A:7G-6) established the demonstration program
- A Demonstration Project incorporates community design features accessible to the students and the community that is incorporated in a municipality's redevelopment plan
 - ✓ School districts partner with a municipality and a redeveloper and submit a project application to NJSCC
 - ✓ On October 30, 2003 the NJSCC Board recommended preliminary approval for six demonstration projects, including New Brunswick. The State Treasurer thereafter granted those projects preliminary approval
 - ✓ The New Brunswick Demonstration Project is planned around a community school model, sited on 26 acres serving as a gateway project for New Brunswick and as an anchor for significant housing and light industrial development projects

NJSCC Role for Demonstration Projects

- Is distinguishable from other NJSCC managed Abbott projects:
 - ✓ NJSCC does not directly manage the project
 - Direct management for the New Brunswick High School Demonstration Project rests with the New Brunswick Housing Authority and its redeveloper, DEVCO
 - ✓ NJSCC's role is primarily as a financial grantor
 - ✓ NJSCC provides grant administration and oversight

DOE Responsibilities

- DOE responsible for approval of educational policy and program including:
 - ✓ Enrollment projections
 - ✓ Design elements, including size and configuration of classrooms, educational program spaces, fields
 - ✓ Overall facility size; grossing factor

The New Brunswick Demonstration Project

- Authorized by the prior SCC Board of Directors at its meeting held on June 23, 2004
 - ✓ Project had grown from the original 2002 projection of 1400 students to a 2,400 student school with 436,000 GSF. Subsequently, in 2005 consistent with revised enrollment projections the school was reduced to a 2,000 student, 407,000 GSF facility
 - ✓ Consolidates three high school programs in New Brunswick into the new high school
 - ✓ Permits New Brunswick to renovate the existing high school into a needed middle school
 - ✓ The design implements the use of learning centers and “small schools”
 - ✓ The site includes soccer, baseball, softball and an all-purpose field
 - ✓ All spaces, facilities and designs have been approved by NJDOE

Current Project Status

- All required properties have been acquired or are in condemnation. The New Brunswick Housing Authority has complete site control. The largest tenant on the site in is in the process of relocation to another site within NJ and is scheduled to be off-site by July 2007
- The New Brunswick Housing Authority and DEVCO have provided a Guaranteed Maximum Price (GMP) proposal to NJSCC
- Bids for the Demolition of the NJ Precast facility are in hand and are awaiting award
- The project's environmental remediation is scheduled to be completed by late July, when the GMP contractor would then start its portion of the soil remediation
- Assuming the Project is not deferred and NTP issued in early May 2007, students will be behind desks in September 2010

Recent SCC Activities and Oversight

- January 2007 bids and project budget revisions triggered SCC management review in light of increase in total project costs
- Review sought to determine if project remained educationally appropriate and economically viable
- Review encompassed all project elements and included participation by SCC, DOE, NBBOE, NB Housing Authority, DEVCO, and Mayor Cahill
- Considered impact and implications of project termination or delay

DOE Confirmation of Educational Appropriateness

- Project is the highest educational priority for New Brunswick school facilities
- Foundation of long established plan for district facilities
- Facility incorporates education program design elements
- Delay or termination of project would disrupt an established and approved approach to school facilities

Economic Viability Based Upon Determination of Appropriateness of Costs

- Reviewed the three major cost drivers for any school project
 - ✓ Cost of the land (including demolition, relocation and environmental remediation)
 - ✓ Size of the project (GSF)
 - ✓ Cost of Construction
 - ✓ Reviewed benchmarks for each of these three elements

Land – Site Selection

- The current site was included in the original Demonstration Project Proposal and has been a key component of the project objectives
- The selected 18 acre Jersey Precast parcel had other parcels surrounding it that allowed the project to assemble the current 26 acre High School site
- Other tracts considered had site remediation issues or did not afford sufficient space for the school
- Site of existing high school was considered but rejected due to swing space concerns and intent to utilize as the middle school

Land – Consideration of Site Acreage

- A briefing paper published by the Council of Facility Planners International (CEFPI) in 2003 provides some benchmark for the question of the size of school sites in the region
 - ✓ NY guideline is 10 acres + 1 acre for every 100 students
 - ✓ PA guideline is 35 acres + 1 acre for every 100 students
 - ✓ CT guideline is 20 acres + 1 acre for every 100 students
 - ✓ While NJ has no acreage requirements or guidelines:
 - High schools in the center of large urban municipalities generally situated on 4-15 acres of land
 - High schools in a more suburban location are situated on anywhere from 25-40 acres of land
 - ✓ The 26 acre size of the New Brunswick site supports design of physical plant and fields as approved by DOE

Land – Consideration of Site Costs

- Cost drivers associated with requirements to relocate the businesses of the tenants, the demolition of the Jersey Precast facility and the environmental remediation
- Costs to relocate NJ Precast are currently \$4 million more than originally anticipated
- Demolition Costs are currently \$3.4 more than originally anticipated
- Cost to remediate soil is \$4.3 more than originally anticipated
 - ✓ The size and cost of the site is not unreasonable
 - ✓ Consideration was given to the impact of reducing project's footprint on the current or alternate site.
 - ✓ Cost of delay in terms of project costs and program disruption outweighed option of new site

Consideration of the Size of the School

- When the Project was downsized to the current 2,000 student enrollment, cuts were made to the programmatic spaces. However, core circulation spaces were not cut, avoiding delays and expense of major redesign resulting in grossing factor increase from 1.55 to 1.66
- Costs that would arise from a major redesign of core spaces to achieve 1.55 grossing factor outweighed proceeding with such reduction in the size of the facility
 - ✓ Assuming construction escalation at 7.5%/yr.; and the size of the school reduced to 380,000 SF; when bid in June-July 2008 the Construction Cost would be approx \$312/sf or \$118,500,000
- Alternatively, reevaluated the Project to identify where space could be reduced with minimal redesign and no impact to project schedule
 - ✓ Comprehensive review of facility reduced 7,000 SF without major redesign
 - ✓ Grossing factor addressed to the satisfaction of NJSCC, NJDOE and the NBBöE at 1.63 and lowered construction costs by approximately \$.7 million without altering the schedule

Consideration of Construction Costs

- In 2005 at the time of the grant award, construction costs estimated to be approximately \$92 million
- The project has been bid and with January 2007 pricing to be approx. \$117 million or \$293/SF
- In February 2007 School Planning and Management magazine published their 2007 Construction Report. In Region 2. (NJ, NY and PA)
 - ✓ \$/GSF for an elementary school is \$239.03
 - ✓ \$/GSF for a HS is \$296.67; 24% higher than an ES
- While no two high schools are the same, we have attempted to find comparables to benchmark against

Consideration of Construction Costs (con't)

Name	Students	Size	Bricks/Mortar (incl Fields)	2007 \$GSF
Fells HS, Phil, PA	1200	254,000	\$ 70.1M (10/06)	\$276
Phillipsburg HS	2000	380,000	\$110 M (est)	\$289
New Brunswick Demo	2000	400,000	\$ 117 M	\$293
Monroe Twp Community HS, 2050		365,000GSF,	\$ 110 M est 7/07	\$301
Art and Leather Bldg HS, NYC	1650	202,000	\$ 70.7 M	\$352
Sunset park HS, NYC	1650	195,000	\$ 77.2 M bid	\$397

Total Project Costs



- From a project budget of \$140 million in January 2005, costs have grown to approximately \$185 Million
- The following Chart illustrates the changes in project costs from January 2005 to April 2007

New Brunswick High School Project Cost Progression

Estimates	January 2005 Estimate (basis for grant)	June 2006 Estimate	January 2007 Estimate	April 2007 Estimate
Project Type	New	New	New	New
Square Footage	436,000	407,212	407,212	400,000
# of Students	2,400	2,000	2,000	2,000

Bricks & Mortar	\$91,780,167	\$211	\$113,611,449	\$279	\$118,743,293	\$292	\$117,253,472	\$293
Land	\$18,927,644	\$43	\$32,640,446	\$80	\$33,867,077	\$83	\$33,379,456	\$83
Design	\$6,319,000	\$14	\$6,450,000	\$16	\$6,271,500	\$15	\$6,271,500	\$16
FF&E & I/T	\$3,927,645	\$9	\$5,309,435	\$13	\$5,731,425	\$14	\$5,481,425	\$14
PM & Overhead Fees	\$13,467,463	\$31	\$13,502,882	\$33	\$13,473,545	\$33	\$13,469,896	\$34
Contingency (Change Orders)	\$5,000,355	\$11	\$6,628,962	\$16	\$7,297,890	\$18	\$7,312,981	\$18
Other	\$1,350,000	\$3	\$2,025,000	\$5	\$2,035,000	\$5	\$2,035,000	\$5
Local Share	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Estimated Project Costs	\$140,772,274	\$323	\$180,168,174	\$442	\$187,419,730	\$460	\$185,203,730	\$463

Cost Per Student

Bricks & Mortar	\$38,242	\$56,806	\$59,372	\$58,627 *
Total Estimated Project Costs	\$58,655	\$90,084	\$93,710	\$92,602

Square Feet Per Student	182	204	204	200 **
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*Feb. 2007 School Planning and Management reports a regional mean of \$50,250 for a high school

**NJDOE confirms that the SF/Student is within a reasonable range

Project Oversight Has Produced Significant Cost Reductions



- Prior to January 2007, ongoing review of costs yielded approximately \$30M in reductions

- ✓ \$6.8M in reductions to finishes and materials
- ✓ \$6.1M in reduced construction costs from the reduction of the student capacity from 2,400 to 2,000 students
- ✓ Development costs were adjusted to provide a reduction of \$715,000:

➤ Site Performance Bond eliminated	-\$350,000
➤ Reduction to Furniture Budget	-\$310,000
➤ Reduction to Land transaction Allowance	-\$278,000
➤ Reduction to Document reproduction	-\$50,000
➤ Addition of NJDOE review fees	+\$200,000
➤ Addition of Environmental Reporting	+\$55,000
➤ Additional Appraisal Costs	+\$ 20,000

- ✓ Construction Management Fee were reduced by \$5.8 M
 - CM Fee reduced from 4% to 3%
 - General Conditions reduced from 12.2% to 10%
 - GMP Contingency reduced from 5% to 3%

Project Oversight Has Produced Significant Cost Reductions (continued)



- PM/Overhead Fees were reduced \$5.8 M
 - ✓ Original agreement at time of Grant provided for the following development team fees:

➤ Redevelopment Agency	1%
➤ Redeveloper Overhead	7%
➤ Redeveloper Fee	3%
 - ✓ Amount of Fees were frozen after budget was established. Since Project costs have escalated, the Fees were effectively reduced to the following:

➤ Redevelopment Agency	.64%
➤ Redeveloper Overhead	4.55%
➤ Redeveloper Fee	2.08%
- Funding of Development Costs through Redevelopment Fees
 - ✓ An estimated \$4.6 M of Project costs are being funded by the Redevelopment Fees instead of through the development budget
 - 2.1 M of the relocation costs
 - 2.5 M for emergency access road

Additional Project Cost Reductions Since January 2007 Have Been Achieved

- In January 2007 the total Project costs were estimated to be \$187.4 Million. Since that time the following reductions totaling \$2,216,000 have been achieved:

- ✓ Value Engineering reductions of \$1, 401,000 have been achieved
- ✓ Demolition Bids have been received, showing a savings of \$565,000
- ✓ IT reductions of \$250,000 have been achieved

- Resulting in Project Costs of:

- ✓ GMP Construction Contract of \$130,119,894
- ✓ Other Project costs of \$ 55,083,836
- \$185,203,730**

- NJSCC benefits from achieved savings

- Receive 75% of any savings from the GMP
- ✓ Receive 100% of any savings on the balance of the Project
- ✓ We anticipate further savings from:
 - Possible rebates of \$1 million for soil remediation
 - Possible rebates of \$2.6 Million in E-Rate reimbursement
 - Possible savings Of \$1.5-3M by NJSCC purchasing furniture and IT hardware

Conclusion

- New Brunswick Board of Education (NBBBoE) and NJDOE agree this project is top priority for New Brunswick
- NBBBoE and NJDOE agree that the current size of the school conforms to all educational requirements. NBBBoE, and NJDOE and NJSCC all agree the grossing factor is reasonable
- NJSCC believes the construction costs of this are consistent with other comparable benchmarked projects

Recommendation

- SCC Management proceed to finalize grant documents consistent with the total project costs presented